

Chapter 6

“The On Demand Business Value Proposition”

Chapter Objectives

- Learn how to innovate the business and capture new value by:
 - Optimizing the value net
 - Increasing business flexibility
 - Improving the client experience
 - Extracting greater value from data
- Learn to make better use of resources to be more productive by:
 - Optimizing today's IT investments
 - Improving employee productivity
 - Streamlining processes
- Understand the importance of increasing security and resiliency
- Understand the importance of facilitating and enhancing business control compliance requirements

Innovating the Business to Differentiate and Capture New Value

- Growth can only be achieved through differentiation and competitive advantage
- On Demand Business has the power to do more than just improve efficiency. It can make the transition from continuous improvement to continuous innovation.

- **Optimizing the Value Net**

- Companies that employ On Demand Business differentiate their supply chains by detecting capacity and supply constraints, assessing impacts of potential decisions, and making changes quickly.
- Partners are added or deleted on a global basis, as demand changes, and with minimal costs or risk to business continuity.
- When a required change is detected, it is easily communicated to the partner network due to On Demand Business collaboration processes, information flow, and integrated management systems.
- A company can flex its extended supply chain by working effectively with partners and leveraging On Demand Business technologies. This enables the company to:
 - Vary capacity,
 - Address supply chain disturbances
 - Exploit cost advantages
 - Adjust to new build requirements simultaneously
- A company can accomplish all this by working with a network of partners as one virtual factory and achieving true differentiation.

- **Increasing Business Flexibility**
 - All companies try to match expenses to revenue.
 - On Demand Business allows companies to build variable cost structures which help them to adjust costs to revenue within a quarter.
 - On demand technologies allow key executives to have instant visibility into performance indicators for all aspects of the business anywhere in the world.
 - Companies that implement On Demand Business exhibit the following best practices:
 - Outsource non-core business components (production, etc.)
 - Implement a transparent demand/supply chain
 - Share risk and reward with supplier, subcontractors, and partners
 - Understand and mitigate emerging risks of operating in an ecosystem
 - Pursue risk and reward arrangements with vendors

- **Improving the Client Experience**
 - Companies that have been trying to become more client focused are responding more effectively to client wants, needs, and demands.
 - On Demand Business companies strive to shape demand.
 - Leading companies manage client relationships rapidly, seamlessly, and with trust.
 - Employees interact with clients to have an integrated view of the clients wants, needs, and behaviors across transactions and channels. This allows for real time responsiveness to client needs.
 - Companies implementing On Demand Business work to move the right person, at the right time, at the right place, to better serve clients and to achieve minimal hand-offs.

- ## Extracting Greater Value From Data

- It is critical that the “right” data be made available anytime, anywhere, from anyone to make all of the differentiating activities work.
- Key factors that enable agile business decision making are addressing ease of access, breadth of relevant results, and “usability of results” issues.
- On Demand Business environments require access to multiple types of data wherever and whenever needed.
- Businesses that have the ability to analyze large volumes of structured and unstructured data can better anticipate market and consumer shifts and enjoy leadership.
- Companies can create value by managing and making accessible enterprise knowledge that goes beyond transactional or client data.
- Value can come from any material that can be referenced or reused and non-traditional data that companies have at their disposal.

- **Driving Business Innovation**

- Time to market is a challenge facing top businesses.
- To be late to a new market or with a new product can result in lost market share, substantial competitive disadvantage, and the inability to set standards.
- Organizations that employ On Demand Business are first to profitable markets by:
 - Allowing the integration of design activities with the R&D activities of internal and external clients
 - Enabling rapid identification of a market opportunity
 - Providing enhanced decision making ability
 - Virtualizing the design infrastructure to minimize capital costs
 - Allowing efficient use of resources across a distributed design team

Making Better Use of Resources to be More Productive

- On Demand Business promises to deliver immense productivity gains to companies that embrace the possibility.
- Optimizing Today's IT Investments
 - Companies apply On Demand Business concepts in the IT area first to make better use of IT resources.
 - Companies can lower the cost of integrating and running their IT operations by adapting open, autonomic, virtualized, and integrated technologies.
 - By leveraging outside specialists to manage IT assets, companies can pay for only those resources that they use.
 - Companies are now willing to work closely to make connectivity and data accessibility protected, private, and secure.
 - Companies with On Demand Business deploy infrastructures that:
 - Sense changes in capacity and self correct
 - Can support security and transparency
 - Access across partners, clients, and geographies

- **Improving Employee Productivity**
 - On Demand companies look to outsource non-differentiating components of their business.
 - On Demand companies use technology to simplify employee access to content, applications, people, and processes.
 - Companies that have a high level of On Demand Business maturity have:
 - A revenue-per-employee ratio higher than the industry average
 - A high level of pay
 - Low employee turnover
 - In On Demand Business, organization flexibility increases so that departments, levels, and reporting structures matter less and skills, projects, and relationships matter more.
 - Companies can match work to employees and vice versa. Employees have visibility to their performance in real time.

- **Streamlining Processes**
 - When becoming an On Demand Business, evaluate which of the process areas are truly differentiating and which need to be done efficiently.
 - Those that are non-differentiating should be outsourced or managed by external specialists. This will guarantee productivity gains and will change fixed costs to variable costs.
 - Streamlining processes are about optimizing operations for cost and quality and not just about performing the same functions with fewer steps.

Increasing Security and Resiliency

- Business contingency is a threat and an opportunity for companies
- Infrastructure providers are finding big business in contingency planning services
- On Demand Business technologies and concepts reduce the impact of catastrophic change and support long-term survival by building redundancy and the appropriate level of security throughout the business model. This leads to:
 - Reduction of exposure to unforeseen shocks
 - Preparation for potential changes and threats
 - Implementations that are anticipatory of future disruptive events.

These drive risks from the business and create value for the company.

Facilitating and Enhancing Business Control Compliance Requirements

- CFO's manage the quality and risk inherent in enterprise resource allocation and value creation strategies. They manage the volatility of the firm's value net and report the results accurately and honestly.
- CFO's of On Demand Business companies are better prepared to address these challenges due to:
 - Consistent, integrated sources of data
 - Rules-driven processing and reporting
 - Integrity in financial and performance metrics

What You Have Learned

- How to innovate the business and capture new value by:
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- To make better use of resources to be more productive by:
 - Optimizing today's IT investments
 - Improving employee productivity
 - Streamlining processes
- The importance of increasing security and resiliency
- The importance of facilitating and enhancing business control compliance requirements